WORKING CAPITAL FUND

FY 2000 Third Quarter Report: Summary

I. Relation of Earnings to Expenses

- Each business is expected to achieve a balance between annual 'earnings' (billings to customers pursuant to Board-approved pricing policies) and 'expenses' (accrued contractual costs adjusted for depreciation, inventory changes, and related business-type transactions).

- Overall, the expenses of the Fund exceeded business earnings by $1.8 million through the first three quarters of FY 2000, on the basis of $61.6 million in billings. (Table I).

WORKING CAPITAL FUND			
FY 2000 Third Quarter Business Results (in Millions)			
TABLE I			
Business Line	**Earnings thru Quarter 3**	**Business Expenses thru Quarter 3**	**Net Results**
Supplies	$2.0	$2.4	($0.3)
Mail	$1.2	$1.3	($0.1)
Copying	$1.8	$1.7	$0.1
Printing	$1.9	$1.8	$0.1
Graphics	$0.5	$0.5	($0.1)
Printing/Graphics	$2.3	$2.3	$0.0
Building Occupancy	$42.8	$42.9	($0.1)
Electronic Services	$0.7	$0.7	($0.0)
Telephones	$5.1	$5.2	($0.1)
Desktop	$1.1	$1.2	($0.1)
Network	$2.4	$2.6	($0.2)
Contract Closeout	$0.4	$0.4	($0.0)
Payroll & Personnel	$1.7	$2.6	($0.9)
EIS	$0.0	$0.1	($0.0)
TOTAL	**$61.6**	**$63.4**	**($1.8)**

The following are the explanations for variances in excess of $50,000 between earnings and expenses.

Supplies: The Supplies business line has accumulated losses of $0.3 million through the third quarter, reflecting essentially the same conditions that were discussed in the mid-year report: (i) recognition of prior year charges and (ii) costs for information systems. In addition, there are indications that the stores are not applying the full 30% markup established as the Board's pricing policy, and this is affecting the margin between earnings and the cost of goods sold. The Fund Manager asked a working group headed by Lesley Gasperow (EH) and Laurie Smith (MA) to develop recommendations for the Board, and an intensive re-engineering effort is underway.

Mail: The loss in the first three quarters is associated with a decision to apply prior year surplus funds to a one-time elimination of charges for common mail stops and special pouch delivery.

Copying: The business line has continued to have earnings in excess of costs since adopting a new strategy for paper management. Net earnings have been reduced since the mid-year report, due to the effects of the reduction in per copy prices.

Printing and Graphics: The balances of earnings and costs in the two segments offset each other and do not require changes in current policies.

Building Occupancy and Electronic Services: The excess of costs over earnings is expected, due to the Board's plan to accelerate into FY 2000 the improvements associated with the Germantown Occupational Health (GOHO) facility.

Information Management: All three business lines, Telephone, Network, and Desktop, had business expenses slightly in excess of earnings for the first half. In the case of Telephones, the Fund Manager will work with the CFO to ensure proper recording of depreciation expenses. In the case of Desktop, the loss appears related to a reduction in training earnings that is related to seasonal factors. Since pricing policy reviews of all three business lines are underway in conjunction with proposals approved by the Deputy Secretary and the Executive Committee on Information Management, no further adjustments are recommended at this time.

Payroll and Personnel: The business line had expenses in excess of earnings of over $900,000 in the first three quarters, due largely to payroll system development costs financed from outside of customer billings. These development costs and associated financial losses will not continue, and no change in pricing policy is needed.

II. Relation of Customer Payments to Anticipated Customer Billings

" Obligation authority for Fund businesses is derived from customer advance payments for services. The Board has adopted procedures calling for customers to make full-year advance payments into the Fund.

" By June, we had collected 102% of the estimated $81 million in FY 2000 annual revenues. (Table II). We expect to have cash receipts in excess of customer billings in FY 2000 because of Board decisions on the Building Occupancy capital improvement plans. Specifically, MA is advancing a portion of its FY 2001 rental payments during FY 2000 to enable the construction of improvements associated with the Germantown Occupational Health Organization (GOHO) facilities. This transaction would be expected to be reversed in FY 2001 as other customers pay their portion of these costs.

WORKING CAPITAL FUND			
FY 2000 Third Quarter Business Results (in Millions)			
TABLE II			
Business Line	**CY Advances and Carryover Payment Credits**	**Anticipated Full Year Payments**	**% Annual Payments Collected**
Supplies	$3.1	$2.6	119%
Mail	$1.8	$1.6	112%
Copying	$2.4	$2.3	106%
Printing	$3.3	$2.7	125%
Graphics	$0.5	$0.7	75%
Printing/Graphics	$3.8	$3.3	115%
Building Occupancy	$56.6	$56.3	101%
Electronic Services	$0.7	$0.9	74%
Telephones	$6.8	$6.9	99%
Desktop	$1.5	$1.4	107%
Network	$3.1	$3.2	96%
Contract Closeout	$0.7	$0.6	116%
Payroll & Personnel	$2.3	$2.2	102%
EIS	$0.1	$0.1	154%
TOTAL	**$82.9**	**$81.4**	**102%**

III. Relation of Payments to Obligations by Business Line

- o There have been no violations of administrative control of funds procedures by WCF business lines.

- o As shown in Table III, funds available exceeded obligations by an estimated $18 million by the end of the first three quarters. The rate of obligation is on track with annualized estimates.

WORKING CAPITAL FUND

FY 2000 Third Quarter Business Results (in Millions)

TABLE III

Business Line	PY Unoblig'd Advances (10/99)	Current Year Customer Advances	Total Available for Obligation	Year to Date Obligations	Advances Remaining to be Obligated
Supplies	$1.0	$2.9	$3.9	$2.2	$1.8
Mail	$0.8	$1.6	$2.3	$1.1	$1.2
Copying	$1.3	$2.3	$3.6	$2.3	$1.3
Printing	$0.2	$2.9	$3.2	$2.4	$0.8
Graphics	$0.0	$0.5	$0.5	$0.6	($0.1)
Printing/Graphics	$0.2	$3.4	$3.7	$3.0	$0.7
Building Occupancy	$2.4	$54.5	$56.9	$45.4	$11.5
Electronic Services	$0.0	$0.7	$0.7	$0.5	$0.2
Telephones	$0.4	$6.1	$6.5	$6.3	$0.1
Desktop	$0.2	$1.4	$1.6	$1.6	($0.0)
Network	$0.0	$2.9	$2.9	$2.8	$0.1
Contract Closeout	$0.0	$0.5	$0.5	$0.3	$0.2
Payroll & Personnel	$0.1	$2.2	$2.3	$1.7	$0.6
EIS	$0.0	$0.1	$0.1	$0.0	$0.0
TOTAL	**$6.5**	**$78.5**	**$85.0**	**$67.4**	**$17.6**

IV. Changes in Budget Estimates by Business Line

- As shown in the table below, there has been relatively little change in the FY 2000 aggregate budget estimates for WCF businesses.

FY 2000 Budget Estimates for WCF Businesses		
Date	Process	FY 2000 Billing Estimate ($Millions)
June 1998	FY2000 Corporate Review	$83.1
December 1998	FY2000 Congressional Budget	$81.6
May 1999	FY 2001 Corporate Review	$81.4
December 1999	FY 2001 Congressional Budget	$81.7
April 2000	Mid-Year Review (Table II) and March 2000 Bill	$81.4
July 2000	June 2000 Bill	$82.0

- The change in FY 2000 costs that has occurred since April is largely due to Building Occupancy renovation charges billed to customers outside of the regular rent.

V. Anticipated Need to Change Pricing Policies or Make Substantial Changes in Operating Levels.

- The Fund Manager does not anticipate the need for further pricing policy changes for FY 2000, though there is a need to review the operations of the Supplies business line, and that review has begun.

VI. Financial Management Systems Progress

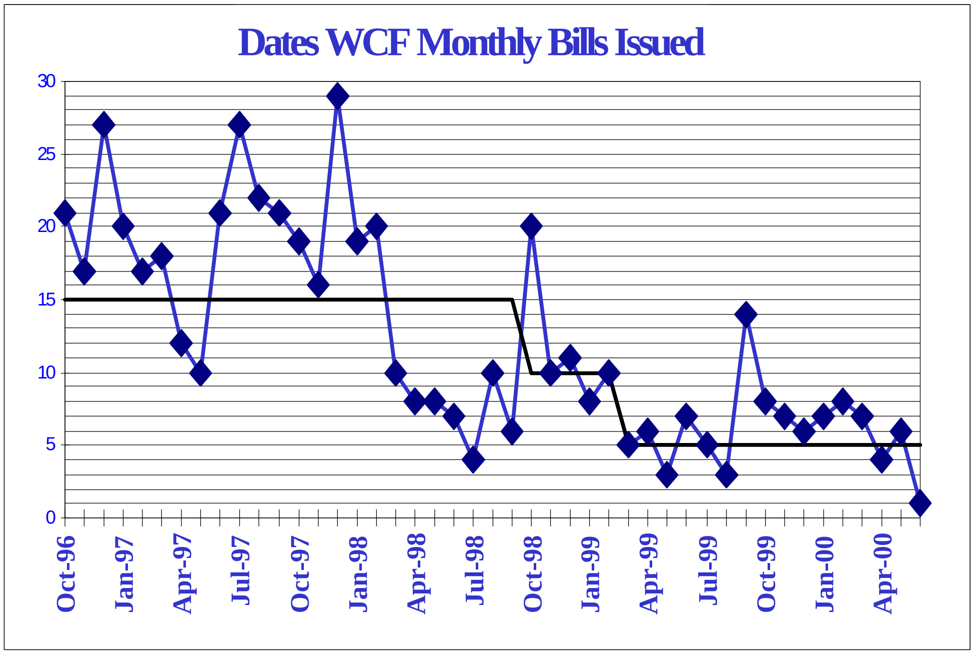
Working Capital Fund Billing System

- Billings were recorded in DISCAS in a timely manner during the first three quarters of FY 2000, as illustrated in the graph on the next page.

Blue Book Information

- The FY 2000 "Guide to Services, Policies, and Procedures" (the Blue Book) has been published in hard copy, and the contents are also being made available on the

Working Capital Fund Home Page, linked to the Management and Administration Home Page, at http://www.hr.doe.gov/wcf/ .



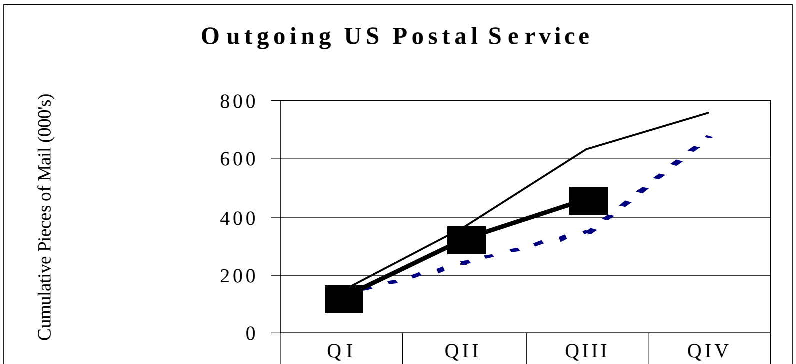
Inspector General Report Follow-On

- The DOE Inspector General has performed three audits on the Fund (1997,1998, and 1999), and follow-on actions have formed the basis for Working Capital Fund management improvement plans.

- As of April 12, 2000, Management and Administration has certified the closure of all recommendations in the 1998 report, and the 1997 report was certified for closure during 1999. The 1999 report contained no recommendations.

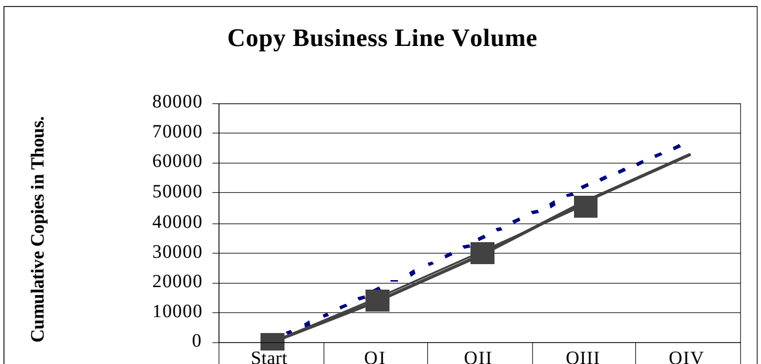
VII. Status of Operating Efficiency Metrics

Mail: In FY 1999, the trend toward reduction in outgoing USPS mail was reversed. However, the pattern for the first three quarters of FY 2000, as shown in the following figure, is that outgoing mail volume lags behind FY 1999, though it remains ahead of FY 1998.



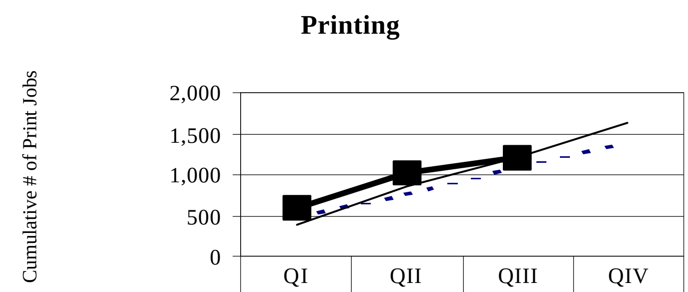
	Q I	Q II	Q III	Q IV
FY 1998	132	242	349	663
FY 1999	145	366	633	756
FY 2000	121	325	459	

Copying: As shown below, the copying volume in FY 2000 is substantially in line with the FY 1999 pattern, suggesting that the rate of reduction in prior years has tailed off.



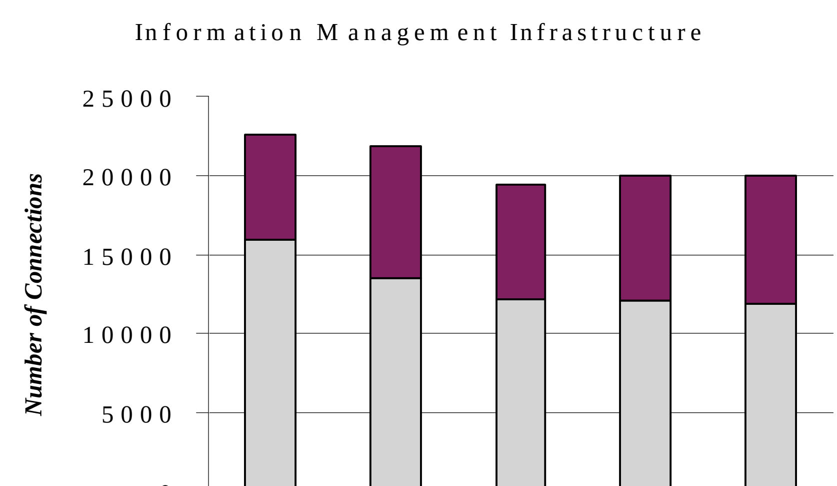
	Start	QI	QII	QIII	QIV
FY 1998	0	17294	34422	51630	67318
FY 1999	0	13456	29540	47294	62952
FY 2000	0	14495	30379	46208	

Printing: The number of WCF Printing jobs in the first three quarters of FY 2000 is virtually identical to the pattern in FY 1999..



	QI	QII	QIII	QIV
FY 1998	461	760	1,083	1,389
FY 1999	382	848	1,209	1,642
FY 2000	596	1,023	1,207	

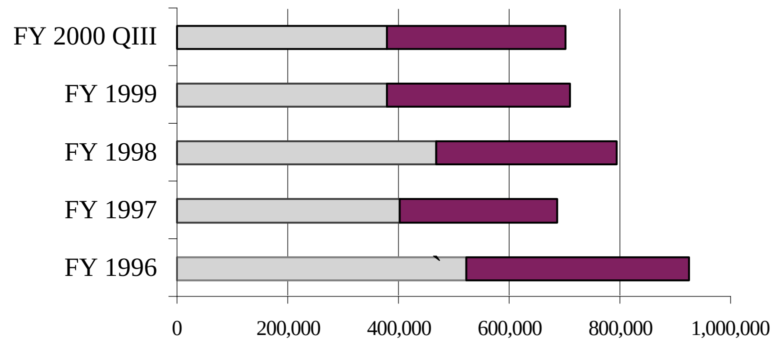
Information Management: As shown below, the aggregate number of connections to headquarters infrastructure stabilized through the first three quarters of FY 2000 at FY 1999 levels, though there continues to be a minor decrease in the number of telephone connections that is being offset by a minor increase in the number of LAN connections.



	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000 Q III
LAN	6650	8375	7241	7861	8103
Phone	15916	13472	12183	12096	11861

Telephone usage, as measured by average monthly calls in the third quarter, tracks very closely with the FY 1999 levels, after declining in the first two quarters.

Telephone Usage

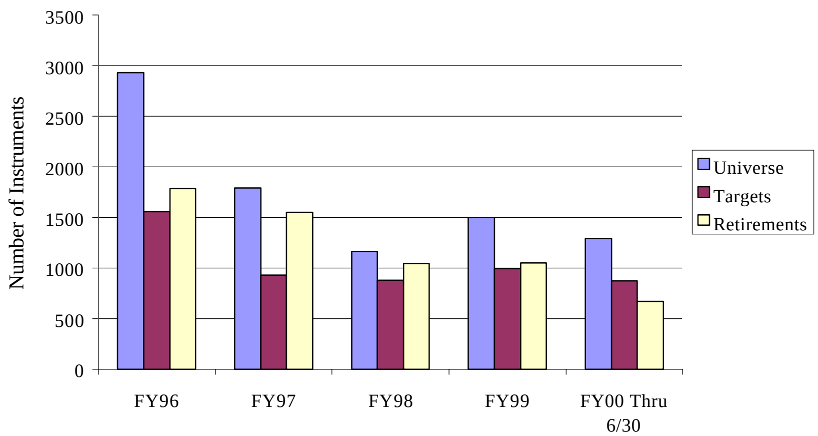


	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000 QIII
FTS2000	402300	285941	326296	329302	322456
Local	522541	401860	467425	379893	378622

Average Monthly Calls

Contract Closeout: As shown in the figure below, the Contract Closeout business line continues to reduce the inventory of instruments subject to closeout, and they are on track to meet their commitments for the current fiscal year. Through the third quarter, 77% of targeted instruments had been retired. The second graph below traces the pattern of deobligations that have been possible due to the work of this business line.

Closeout Retirements and Targets



Contract Closeout: Business Line Costs and Contract Deobligations